

UMZIMKHULU MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended
30 June 2006

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 19, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 18 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr. B. Ndwandwa
Acting Municipal Manager

31 August 2006

UMZIMKHULU MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2006

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<u>Appendix</u>	<u>"D" and "E (1)"</u>
The annual financial statements set out on pages 2 to 21, have been approved by the Municipal Manager and are signed. Refer to the 1 st page.	

UMZIMKHULU MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2006

	Note	2006 R	2005 R
NET ASSETS AND LIABILITIES			
Net Assets		12 444 884	21 820 138
Capitalization Reserves	1.2	18 855 064	19 074 119
Un-appropriated Surplus/(Accumulated Deficit)		(6 410 180)	2 746 019
Non-current liabilities		5 086 867	6 921 305
Trust Fund and Project Funds	2	5 086 867	6 921 305
Current liabilities		16 842 693	6 878 302
Provisions	3	131 770	131 770
Creditors	4	16 413 882	6 451 646
Conditional Grants and Receipts	5	297 041	294 886
Total Net Assets and Liabilities		<u>34 374 444</u>	<u>35 619 745</u>
ASSETS			
Non-current assets		21 452 222	24 075 810
Property, plant and equipment	6	17 725 888	19 074 120
Investments	7	3 726 334	5 001 690
Current assets		12 922 222	11 543 935
Consumer debtors	9	6 784 793	5 810 162
Other debtors	10	5 012 777	4 286 617
Current portion of long-term loans	8	122 941	235 624
Bank balances and Cash	11	1 001 711	1 211 532
Total Assets		<u>34 374 444</u>	<u>35 619 745</u>

UMZIMKHULU MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R	2005 R
INCOME			
Assessment Rates		908 595	908 595
Service charges		1 680 559	2 569 773
Government Grant & Subsidies		29 292 612	35 827 298
Release on reserves		1 348 232	1 285 749
Other Income		1 914 916	2 864 812
Total Revenue		35 144 914	43 456 227
EXPENDITURE			
Housing		54 229	1 139 132
Council		2 161 767	1 472 028
Park & Guard		251 628	416 692
Depreciation		1 348 232	1 285 749
Traffic/Protection		790 770	4 552 096
Office of the Municipal Manager		526 291	687 701
Administration		1 884 986	2 905 185
Finance		1 279 894	1 440 249
Roads		5 719 632	12 341 465
General Expense		15 445 124	15 227 538
Capital Expenditure		9 344 941	-
Social Service LED Projects		2 394 669	-
Refuse Removal		606 958	721 377
Sanitation		369 844	535 222
Water Supply		588 886	3 136 451
Other expenses		1 543 362	-
Total Expenditure		<u>(44 112 213)</u>	<u>(45 860 885)</u>
		<u>(9 166 299)</u>	<u>(2 404 658)</u>
Net Surplus/(Deficit) for the year			

Refer to Appendix E(1) for the comparison with the approved budget

UMZIMKHULU MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006

	<u>Pre-GAMAP Old Reserves and Funds</u>	<u>Government Grant Reserve</u>	<u>Capitalisation Reserve</u>	<u>Donations and Public Contribution Reserve</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
	R	R	R	R	R	R
2005						
Balance at 1 July 2004	3 323 061	-	-	-	5 150 677	7 344 552
Implementation of GAMAP (Note)	(3 323 061)	-	19 230 682	-	-	18 165 993
Restated balance	-	-	19 230 682	-	5 150 677	25 510 545
Surplus/(deficit) for the year	-	-	-	-	(2 404 658)	(2 404 658)
Offsetting of depreciation	-	-	(1 285 749)	-	-	(1 285 749)
Balance at 30 June 2005	-	-	17 944 933	-	2 746 019	21 820 138
2006						
Surplus/(deficit) for the year	-	-	-	-	(9 318 629)	(9 318 629)
Stale cheques written off	-	-	-	-	10 098	10 098
Reconciliation of Reserves	-	-	-	-	-	-
Offsetting of depreciation	-	-	(1 348 232)	-	-	(1 348 232)
Balance at 30 June 2006	-	-	16 596 701	-	(6 562 513)	11 163 374

UMZIMKHULU MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R	2005 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		31 937 031	39 648 655
Cash paid to suppliers and employees		<u>(35 315 018)</u>	<u>(26 769 730)</u>
Cash generated from/(utilized in) operations	19	(3 377 987)	12 878 925
Interest received		49 138	275 455
Interest paid		-	(590)
NET CASH FROM OPERATION ACTIVITIES		<u>(3 328 844)</u>	<u>13 153 790</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(11 542 141)
Long term debtor repaid		<u>112 683</u>	<u>355 784</u>
NET CASH FROM INVESTING ACTIVITIES		<u>112 683</u>	<u>(11 186 357)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(Decrease) in Trust and Project Funds		<u>948 660</u>	<u>(2 096 653)</u>
NET CASH FLOW FROM FINANCING ACTIVITIES			<u>(2 096 653)</u>
NET DECREASE IN CASH & CASH EQUIVALENTS		(2 267 501)	(129 220)
Cash and cash equivalents at the beginning of the year		6 213 222	<u>6 342 442</u>
Cash and cash equivalents at the end of the year		<u>3 935 625</u>	<u>6 213 222</u>

UMZIMKHULU MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value.

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 20-03), the Municipality has adopted Standards of GAMAP and GRAP issued by the Accounting Standards Board during the financial year. GAMAP and GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note 20. The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. RESERVES

4.1 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/ (deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

4.2 Capitalization Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time that had historically been utilized for the acquisition of items of property plant and equipment have been transferred to a Capitalization Reserve instead of the accumulated surplus/ (deficit). The balance on the Capitalization Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalization Reserve to the accumulated surplus/ (deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalization Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

UMZIMKHULU MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

4. RESERVES (continued)

4.3 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

UMZIMKHULU MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

5. PROPERTY, PLANT AND EQUIPMENT

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	<u>Years</u>	<u>Other</u>	
<u>Years</u>			
<i>Infrastructure</i>			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	0-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
		Watercraft	15
		Bins and containers	5
<i>Community</i>		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

6. INVESTMENTS

Investments are stated at cost, less impairments adjustments.

Where investments have been impaired, this is recognized as an expense in the period that the impairment is identified.

Investment in associates and municipal entities are carried at cost.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

UMZIMKHULU MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

8. REVENUE RECOGNITION

8.1 Revenue from Exchange Transactions

Service charges relating to water are based on consumption. Meters are read on a quarterly basis and are recognized as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognized as revenue in the invoicing period.

Revenue from the sale of goods is recognized when the risk is passed to the consumer.

8.2 Revenue from non-exchange transactions

Revenue from rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Interest on unpaid rates is recognized on a time proportion basis.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue arising from the application of the approved tariff of charges is generally recognized when the relevant service is rendered.

Interest and rentals are recognized on a time proportion basis.

9. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognized.

10. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

UMZIMKHULU MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

11. UNAUTHORISED EXPENDITURE

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act no.56 of 2003). Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No.20 of 1998) or s in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorized expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

14. COMPARATIVE INFORMATION

14.1 *Current year comparatives:*

Budgeted amounts have been included in the annual financial statements for the current financial year only.

14.2 *Prior year comparatives:*

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
1. RESERVES		
1.1 Revolving Fund	<u>2 193 875</u>	<u>2 193 875</u>
Implementation of GAMAP	2 193 875	
Transferred to Accumulated Surpluses	<u>(2 193 87)</u>	
	<u>-</u>	
1.2 Capitalization Reserve		
Implementation of GAMAP:		
Transferred to Capitalization Reserve	20 359 868	-
Offsetting of prior year depreciation	<u>(1 285 749)</u>	-
Balance at 30 June 2005	<u>19 074 119</u>	-
Reconciliation of funds	1 129 186	
Offsetting of current year depreciation	<u>(1 348 232)</u>	-
Balance at 30 June 2006	<u>18 855 064</u>	<u>-</u>
2. PROJECT FUNDS		
Project Funds:		
I.G.G. Fund I	-	568 958
Pilot Housing	(9 071)	(67 892)
UMZIMKHULU Housing Project	460 653	128 857
Riverside Housing Project	579 253	882 351
Ibisi Housing Project	13 632	16 736
Clydesdale Housing Project	9 116	1 266 785
UMZIMKHULU Rural Housing Project	3 013	1 038
FMG Fund	2 702	188 788
Integrated Development plan fund	184 568	176 461
Survey fund	720 010	68 689
Sports facility grant fund	8 118	8 118
Testing centre fund	11 551	28 414
TLC let fund	-	1 250
Constitutional Development	1 047 440	1 047 440
M.S.P. Fund	1 702 328	1 702 328
TLC structure plan fund	4 938	4 759
MIG Fund	2 797	1 432 815
M.S.I.G Fund	440 878	-
Riverside Phase 2 Housing Project	<u>(95 059)</u>	<u>(534 589)</u>
Total Trust & Project Funds	<u>5 086 867</u>	<u>6 921 306</u>

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

The balance of the Project Funds can be reconciled as follows:

	Balance beginning of year	Contribution during the year	Interest on investments	Expenditure	Balance end of the year
<i>Project funds:</i>	R	R	R	R	R
I.G.G. Fund	568 958	-	2 154	(571 112)	-
Pilot Housing	(67 892)	58 734	87		(9 071)
UMZIMKHULU Housing Project	128 857	318 900	12 935	(39)	460 653
Riverside Housing Project	882 351	-	37 951	(341 049)	579 253
Ibisi Housing Project	16 736	-	11 059	(14 162)	13 633
Clydesdale Housing Project	1 266 785	7 773 222	63 937	(9 094 828)	9 116
Umz. Rural Housing Project	1 038	1993	17	(35)	3 013
FMG Fund	188 788	-	3 702	(189 788)	2 702
Integrated Development plan fund	176 461	-	8 107	-	184 568
Survey fund	68 689	641 000	10 322	-	720 011
Sports facility grant fund	8 118	-	-	-	8 118
Testing centre fund	28 414	352 259	447	(369 569)	11 551
TLC let fund	1 250	-	26	(1 276)	-
Constitutional Development	1 047 440	-	-	-	1 047 440
M.S.P. Fund	1 702 328	-	-	-	1 702 328
TLC structure plan fund	4 759	-	179	-	4 938
MIG Fund	1 432 814	-	17 084	(1 447 102)	2 796
M.S.I.G Fund	-	440 878	-	-	440 878
Riverside Phase 2 Housing Proj.	(534 589)	1 924 752	16 902	(1 502 124)	(95 059)
	<u>6 924 305</u>	<u>11 511 738</u>	<u>184 909</u>	<u>(13 531 084)</u>	<u>5 086 867</u>

The funds are supported by separate investments. (Refer to Note 7)

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (Continued)

	2006	2005
3. CURRENT PROVISIONS		
Workmen	80 777	80 777
RSC Levies	50 993	50 993
Skills Development Levy	-	-
Total Provisions	<u>131 770</u>	<u>131 770</u>
4. CREDITORS		
Unpaid cheques	593 945	593 945
Unknown deposits	1 550 430	1 015 671
Accrued expenses	2 192 866	968 642
Unutilized project funds	10 676 641	2 373 388
Drought Relief	<u>1 400 000</u>	<u>1 500 000</u>
Trade Creditors	<u>16 413 882</u>	<u>6 451 646</u>
5. CONDITIONAL GRANTS AND RECEIPTS		
Conditional grants from other spheres of Government		
CMIP	<u>297 041</u>	<u>295 444</u>

See **Note 14** for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilized.

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (Continued)

6. PROPERTY, PLANT & EQUIPMENT 30 June 2006

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infra-structure</u>	<u>Community</u>	<u>Movable Assets</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R	R
Carrying values at 1 July 2005	3 725 455	8 218 266	4 624 649	2 421 036	84 714	19 074 120
Cost	3 973 308	8 696 169	5 438 850	4 428 688	205 414	22 742 429
Accumulated depreciation	(247 853)	(477 903)	(814 201)	(2 007 652)	(120 700)	(3 668 309)
Acquisitions	-	-	-	-	-	-
Capital under Construction	-	-	-	-	-	-
Depreciation	(132 311)	(289 582)	(181 114)	(704 142)	(41 083)	(1 348 232)
Carrying value of disposals	-	-	-	-	-	-
Cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Carrying values At 30 June 2006	3 593 144	7 928 684	4 443 535	1 716 894	43 631	17 725 888
Cost	3 973 308	8 696 169	5 438 850	4 428 688	205 414	22 742 429
Accumulated depreciation	(380 164)	(767 485)	(995 315)	(2 711 794)	(161 783)	(5 016 541)

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2007. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2007.

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (Continued)

7. INVESTMENTS

	2006 <u>R</u>	2005 <u>R</u>
<u>Unlisted</u>		
<i>Short-term investments/Financial Instruments</i>		
Survey Account	720 010	68 689
I.G.G. Account	-	149 771
UMZIMKHULU Project Account	460 653	128 857
Umzimkhulu IDP	184 568	176 461
UMZIMKHULU Pilot Housing	9 071	8 994
Testing Centre Account	11 551	11 104
Structure Account	4 938	4 759
Mayoral Account	12 989	12 487
TLC Account	-	1 250
Equitable Share	-	141 254
UMZIMKHULU Tourism Account	233 305	233 305
Disaster Account	228 799	228 799
Riverside Project Account	579 253	882 351
Revolving Account	86 563	82 319
Wholesale Account	272 461	1 052 149
Ibisi Housing Project	13 632	16 736
Clydesdale project Account	9 116	1 266 785
UMZIMKHULU Rural Housing Account	3 013	1 031
Riverside – Project Phase 2-62062571239	95 060	534 589
Council Dept A/c	11 922	-
Municipal Manager Account	4 359	-
MIG Grant Account	2 797	-
Admin Dept Account	2 582	-
Community Services	3085	-
FMG Grant Account	2 702	-
Finance Dept Account	3 714	-
Infrastructure Account	102 385	-
MSIG Grant Account	440 878	-
HR Dept Account	226 928	-
Total Cash Investments	<u>3 726 334</u>	<u>5 001 690</u>

Council's valuation of unlisted investments

-Valued at net book values as above.

UMZIMKHULU MUNICIPALITY

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2006 (Continued)**

	2006 R	2005 R
8. LOANS RECEIVABLE		
Car Loans	<u>122 941</u>	<u>235 624</u>
Car Loans		
Senior staff is entitled to car loans which attract interest at 8% per annum and which are repayable over a maximum period of 4 years. The remaining balance is expected to be recovered in full within the next 12 months.		
9. CONSUMER DEBTORS		
Refuse	2 576 489	2 184 313
Rates	5 278 354	4 598 293
Water	3 059 000	2 586 143
Sanitation	394 144	314 856
Less: Provision for bad debts	<u>(4 523 194)</u>	<u>(3 873 443)</u>
Total	<u>6 784 793</u>	<u>5 810 162</u>
<u>Summary of Debtors for services</u>		
Current (0 – 30 days)	168 841	170 055
30 Days	367 720	160 959
60 Days	28 257	144 199
90 Days	147 458	131 714
90 + Days	3 016 407	2 741 169
+120	<u>2 300 950</u>	<u>1 737 217</u>
Total	6 029 633	5 085 313
Less Provision for bad debts (40% of Total due)	<u>(2 411 853)</u>	<u>(2 034 125)</u>
	<u>3 617 780</u>	<u>3 051 188</u>
Assessment Rates	5 278 355	4 598 293
Less Provision for bad debts	<u>(2 111 342)</u>	<u>(1 839 317)</u>
	<u>3 167 012</u>	<u>2 758 976</u>
TOTAL NET DEBTORS	<u>6 784 793</u>	<u>5 810 164</u>
10. OTHER DEBTORS		
Payments made in advance	47 459	47 459
Funds	808 973	82 813
VAT	3 896 462	3 896 462
Overpayments	253 483	253 483
Staff loans	<u>6 400</u>	<u>6 400</u>
Total Other Debtors	<u>5 012 777</u>	<u>4 286 617</u>

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (Continued)

	2006 R	2005 R
11. <u>BANK, CASH AND OVERDRAFT BALANCES</u>		
The Municipality has the following bank accounts:-		
<u>Current Account (Primary Bank Account)</u>		
FNB Bank – Ixopo Branch Account No.: 525 5573 0913	<u>245 493</u>	<u>536 562</u>
<u>Other bank accounts</u>		
CMIP Current account: A/C No.: 062 264 508	297 041	294 886
Riverside A/C No: 6203 1880 695	2 229	148 713
Ibisi Repr. Council A/C No: 6201 2555 837	-	-
FNB – UMZIMKHULU Project: A/C No: 6204 8699 550	55 607	92 025
FNB – Clydsdale Project: A/C No.: 6204 4979 873	14 781	119 671
Ibisi Project: A/C No.: 6204 4979 261	7 377	4 468
Revolving Fund	-	2 904
FNB – Riverside Project: A/C No.: 6205 4525 492	300 438	1 386
Extension 5 & 6	64 802	1 570
Petty Cash	<u>13 943</u>	<u>9 347</u>
	<u>756 218</u>	<u>674 970</u>
Total Cash and Cash Equivalents (Favourable)	<u>1 001 711</u>	<u>1 211 528</u>
 12. <u>PROPERTY RATES</u>		
<u>Actual</u>		
Total Assessment Rates	<u>908 595</u>	<u>908 595</u>
 13. <u>SERVICE CHARGES</u>		
Sale of water	888 613	1 306 964
Refuse removal	676 149	1 103 730
Sewerage and sanitation charges	<u>115 797</u>	<u>159 079</u>
Total Service charges	<u>1 680 559</u>	<u>2 569 773</u>

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (Continued)

	2006 R	2005 R
14. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable Share	26 344 940	29 738 391
District Municipality & Other Grants	<u>2 894 813</u>	<u>6 088 907</u>
Total Government Grant and Subsidies	<u>29 239 753</u>	<u>35 827 298</u>
<i>Equitable Share</i>		
In terms of the Constitution, this grant is used to subsidize the provision of basic services to indigent community Members.		
<i>CMIP Grant</i>		
Balance unspent at beginning of year	294 887	295 244
Current year receipts	2 787	-
Interest earned	-	(213)
Bank charges	(633)	570
Conditions still to be met-transferred to liabilities (see note 6)	<u>297 041</u>	<u>294 887</u>
15. OTHER INCOME		
Tender fees	-	66 710
Refund from councilor	-	253 483
Grass cutting		4 887
Sundries	383 754	-
Building Plans & Servitudes	6 424	-
Cemetery fees	10 700	-
Advertising	1 322	-
Interest on investments	49 138	-
Land Lease	277 915	-
Hall fees	87 625	-
Traffic fines & learners license	<u>1 002 202</u>	<u>-</u>
Total Other Income	<u>1 819 080</u>	<u>325 080</u>
16. EMPLOYEE RELATED COSTS		
Employee related costs – Salaries and Wages	<u>15 474 924</u>	<u>14 171 976</u>
Total Employee Related Costs	<u>15 474 924</u>	<u>14 171 976</u>

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (Continued)

	2006 R	2005 R
17. REMUNERATION OF COUNCILLORS		
Executive Mayor, Speaker & Councillors	<u>2 764 401</u>	
Total Councillors' Remuneration	<u>2 764 401</u>	
<i>In-kind Benefits</i>		
The Mayor, Speaker and three Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor has use of a Council owned vehicle for official duties.		
18. BAD DEBTS		
Contribution to the bad debt provision	<u>649 752</u>	<u>898 367</u>
19. CASH GENERATED BY OPERATIONS		
Net loss for the year	(9 318 629)	(2 404 658)
Adjustment for:-		
Non-cash items: Estimates of service charges & Rates	1 624 380	(2 246 368)
Contributions to Fixed Assets	153 606	11 542 141
Income unallocated in creditors	1 138 039	-
Investment income	(49 138)	(275 455)
Interest paid	-	590
Operating surplus before working capital changes:	<u>(6 461 841)</u>	<u>6 616 250</u>
(Increase)/decrease in accounts receivable & other debtors	(2 380 745)	1 118 700
Increase/(decrease) in accounts payables & other creditors	<u>8 129 127</u>	<u>5 143 975</u>
Cash generated by operations	<u>(3 377 987)</u>	<u>12 878 925</u>
20. CHANGE IN ACCOUNTING POLICY – IMPLEMANATION OF GAMAP		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP:		
20.1 Statutory Funds		
Balance previously reported:		
Revolving fund	<u>2 193 875</u>	-
Implementation of GAMAP:		
Transferred to Accumulated Surplus	<u>(2 193 875)</u>	-
	<u>-</u>	<u>-</u>

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (Continued)

	2006 R	2005 R
20. CHANGE IN ACCOUNTING POLICY- IMPLEMENTAION OF GAMAP(continued)		
20.2 CAPITALIZATION RESERVE		
Implementation of GAMAP:		
Transferred to Capitalization Reserve	20 359 868	-
Offsetting of prior year depreciation	<u>(1 285 749)</u>	-
Balance at 30 June 2005	<u>19 074 119</u>	-
Reconciliation of funds	<u>1 129 177</u>	
Offsetting of current year depreciation	<u>(1 348 232)</u>	-
Balance at 30 June 2006	<u>18 855 064</u>	<u>-</u>